

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In Re:

Chapter 11

MEZZ57TH LLC
d/b/a John Barrett

Case No.: 20-11316

Debtor.

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**FOURTEENTH INTERIM ORDER AUTHORIZING
USE OF CASH COLLATERAL**

Upon the motion (“Motion”) of Mezz57th LLC (“Operating Debtor”), an above-captioned debtor and debtor-in-possession which seeks authority to, inter alia, use cash collateral in which lenders Lawrence F. Flick IV Flick (“Flick”, Saw Investment Fund LLC (“Saw”) and Jeffrey Sellers (“Sellers”, and collectively with Flick and Saw, the “Lenders”) have asserted a security interest, pursuant to 11 U.S.C. Sections 363(c)(2) and 361 and Federal Rules of Bankruptcy Procedure 4001; and the Court having entered orders on an interim basis from time to time most recently November 23, 2021 (granting the Motion through December 16, 2021); and on the consent of Flick; and an objection (the “Landlord Objection”) to the Motion having been timely filed by MIP 57th Development Acquisition LLC (the “Landlord”) on June 24, 2020 which has been adjourned to the Final Hearing as set forth below; and any or all other objections having been withdrawn, overruled, or resolved; and upon the record before the Court, and all of the pleadings heretofore filed in this proceeding, it is hereby found and determined as follows based on the representations made on the record by the parties at the most recent interim hearing:

A. On May 29, 2020 (the “Petition Date”), the Operating Debtor, along with John Barrett Inc., filed a voluntary petition for relief pursuant to Subchapter V of Chapter 11 of

the Bankruptcy Code. The Operating Debtor is operating its business as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code; and

B. On June 1, 2020, pursuant to 11 U.S.C. § 1183(a), the United States Trustee appointed Charles Persing as Subchapter V trustee for the Operating Debtor; and

C. Lenders and the Operating Debtor agree that Lenders are secured creditors of Operating Debtor with respect to certain obligations (the “Loans”) which are evidenced by, without limitation: (a) that certain Security Agreement dated March 10, 2019 between the Operating Debtor and Lenders (“Security Agreement”) pursuant to which the Operating Agreement granted Lenders a first lien and security interest in the Operating Debtor’s inventory, accounts receivable, money, and the proceeds thereof; (b) a Promissory Note dated November 1, 2018 (the “Seller Note”), pursuant to which Operating Debtor promised to pay Seller the principal sum of \$1,050,720, (c) a Promissory note dated July 15, 2019 (the “Saw Note”) pursuant to which the Operating Debtor promised to pay Saw the principal amount of \$400,000; (d) a Promissory Note dated May 29, 2019 (the “Flick \$500,000 Note”) pursuant to which the Operating Debtor promised to pay Flick the principal amount of \$500,000 plus interest and other amounts stated therein; and (e) a Promissory Note dated September 23, 2019 (the “Flick \$150,0000 Note”) pursuant to which the Operating Debtor promised to pay Flick the principal amount of \$150,000 plus interest and other amounts stated therein (the Seller Note, Saw Note, Flick \$500,000 Note, the Flick \$150,000 Note and the Security Agreement collectively referenced herein as the “Loan Agreements”); and

D. Lenders and Operating Debtor agree that any income, receipts or revenues received by Operating Debtor, constitute cash collateral of Lenders within the meaning of Section 363(a) of the Bankruptcy Code (the “Cash Collateral”); and

E. Operating Debtor provides luxury beauty salon, spa, and related services, and Operating Debtor's use of the Cash Collateral is essential to the continued operation of its business, and the preservation of its estate; and

F. Continued use of the Cash Collateral on an interim basis pending a final hearing is necessary to prevent immediate and irreparable harm to the Operating Debtor's estate in that without authorization to use the Cash Collateral, the Operating Debtor's ability to sustain its operations and meet its current necessary and integral business obligations will be impossible; and

G. The value of Operating Debtor's estate will be maximized by the continuation of Operating Debtor as a going business, and the use of the Cash Collateral is essential to such operations; and

H. Flick consents to Operating Debtor's continued interim use of Cash Collateral on the terms set forth below; and

I. The Landlord does not object to entry of this Order allowing the Debtor to use cash collateral on an interim basis through and including the Final Hearing (defined below). However, the Landlord Objection shall be deemed to be a continuing objection to the Motion at the Final Hearing. Landlord also reserves all rights with respect to the Motion, including the right to file a supplemental objection to the Motion prior to the Final Hearing.

NOW THEREFORE IT IS HEREBY ORDERED:

1. The Operating Debtor is authorized to use Cash Collateral on an interim basis substantially in accordance with the budget attached hereto as Exhibit A (the "Budget") pending the final hearing referenced below (the "Interim Period"), unless sooner terminated as provided herein.

2. Replacement Liens. In addition to any existing rights and interests of Lenders in the Cash Collateral and for the purpose of adequately protecting them from collateral diminution,

Lenders are hereby granted replacement liens ("Replacement Liens") to the extent that said Lenders' liens in pre-petition Cash Collateral were valid, perfected and enforceable without determination herein as to the nature, extent and validity of said pre-petition liens and claims and to the extent of collateral diminution¹ occurs during the Chapter 11 case. The Replacement Liens shall be first and senior security interests and liens in favor of Lenders in all assets and properties of the Operating Debtor of any kind or nature, now existing or hereafter arising or acquired (other than causes of action under Chapter 5 of the Bankruptcy Code and any proceeds thereof) subject only to existing senior and valid and perfected liens, if any, on said property as of the Petition Date. The Replacement Liens are not currently subject to a "carve out", for purposes of this interim order, without prejudice to the rights of the Operating Debtor or other party in interest to seek imposition of a carve out in a final order approving the Motion.

3. In addition to the above, as further adequate protection of Lenders' security interests in Cash Collateral, the claim which arises in favor of Lenders as a result of and to the extent of any diminution in value of Lenders' Collateral, if any, as the result of the Operating Debtor's use of Cash Collateral in accordance with any order of the Court, shall have priority in payment over any and all obligations of the Operating Debtor now in existence or hereinafter incurred by the Operating Debtor and over all administrative expenses of the kind specified in or allowable under sections 503(b), or 507(b) of the Bankruptcy Code, other than the fees owed to the United States Trustee under 28 U.S.C. § 1930, and interest, if any, under 37 U.S.C. § 3717.

¹ For purposes of this Order, "collateral diminution" shall mean any diminution in value of Lenders' interest in Operating Debtor's property as of the Petition Date by reason of Operating Debtor's use of Cash Collateral in accordance with this Order.

4. Use of Cash Collateral. Operating Debtor shall not use, lease, sell or expend, directly or indirectly, any Cash Collateral, except as expressly provided for in this Order.

5. During the Interim Period, Operating Debtor shall be permitted, on an interim basis, to continue to use Cash Collateral in the ordinary course of business and in accordance with the Interim Budget, subject to the terms of this Order, and subject to a 10% variance for any expenses, collections and new billings. Budgeted expenses not paid in one week may be paid in a subsequent week.

6. Reporting. Within twenty (20) days after the end of each calendar month, Operating Debtor shall deliver to the Lenders, their counsel, and the Subchapter V Trustee: (i) copies of all financial and operational reports filed with the Bankruptcy Court, (ii) bank statements for each of Operating Debtor DIP Accounts; and (iii) such other documentation as may be reasonably requested by the Lenders.

7. Taxes. Operating Debtor shall timely pay all taxes and assessments for the post-petition period in respect of its business that are or hereafter become due and owing, the non-payment of which could result in the creation of a lien against the Lenders' Collateral or the property which is subject to Lenders' liens. Evidence of Operating Debtor's tax payments shall be delivered to Lenders and Subchapter V Trustee, within a reasonable time after such tax payment is paid.

8. Insurance. Operating Debtor shall maintain all appropriate insurance, during the pendency of the case and shall provide proof of insurance to Lenders, the U.S. Trustee the Subchapter V Trustee, within three business days from the date of this Order.

9. Bank Accounts. No funds generated from operations of Operating Debtor or from the use, sale or lease of any of the Lenders' Collateral shall be deposited in any bank account by Operating Debtor's except for Operating Debtor's DIP Accounts.

10. Miscellaneous. The terms and provisions of this Order shall not be construed to prohibit Lenders from seeking any relief available to them under the Loan Agreements under the Bankruptcy Code, or under any other applicable law, nor shall they be deemed to be an express or implied agreement to refrain from or delay exercise of Lenders' rights to seek dismissal, lift stay or other relief during the term of this Order or otherwise, except in accordance with this Order.

11. Except as otherwise expressly provided in this Order, the terms and conditions of all the Loan Agreements shall remain in full force and effect, and the Lenders shall retain all of its respective rights and remedies thereunder, subject to the provisions of the Bankruptcy Code, or other applicable law.

12. Operating Debtor is authorized and directed to perform all acts and to make, execute and deliver any and all instruments as may be necessary to implement the terms and conditions of this Order and the transactions described herein. The stay of section 362 of the Bankruptcy Code is hereby modified to permit the parties to accomplish the transactions contemplated herein.

13. The provisions of this Order do not constitute, and shall not be deemed to constitute an admission by any Lender that its interests in its collateral are adequately protected. No delay or omission to exercise any right, power or remedy available to Lenders shall impair any such right, power or remedy, nor shall it be construed as a waiver of any of Lenders' rights, powers and remedies.

14. All rights of Lenders to seek additional adequate protection for Operating Debtor's use of Cash Collateral and other collateral, to file for relief from the automatic stay, to dismiss or assert any other right, cause of action or any other remedy with respect to the Operating Debtor whether in this bankruptcy case, or otherwise, are expressly reserved.

15. The provisions of this Order shall be binding upon, and inure to the benefit of the Lenders, the Operating Debtor, and their respective successors and assigns, including but not limited to, any Trustee or other fiduciary appointed as a legal representative of the Operating Debtors whether under Chapter 11 of the Bankruptcy Code or any subsequent Chapter 7 case or in connection with any other state or federal proceeding.

16. Final Hearing. The Court shall conduct a final hearing (“Final Hearing”) on the relief requested in the Motion on February 16, 2022 at 10:00 AM. Objections to the final relief requested in the Motion shall be made in writing, filed with the Bankruptcy Court at the Court’s website www.nysb.uscourts.gov (log in and password required), with a copy delivered directly to the chambers of the Honorable Sean Lane, and served upon Ballon Stoll P.C., 810 Seventh Avenue, Suite 405, New York NY 10019 Attn: Vincent J. Roldan, Esq. so as to be received no later than seven (7) days prior to the Final Hearing.

Dated: New York, New York
January 18, 2022

/s/ Sean H. Lane
UNITED STATES BANKRUPTCY JUDGE

Mezz57th LLC
8 Week Cash Flows
For INTERNAL USE ONLY

	1	2	3	4	5	6	7	8		
Week Ending	1/1/2022	1/8/2022	1/15/2022	1/22/2022	1/29/2022	2/5/2022	2/12/2022	2/19/2022	Total	Notes
Cash Receipts	85,000	115,000	135,000	135,000	140,000	140,000	135,000	130,000	1,015,000	Weekly sales
Less: Merchant Fees	(15,000)	-			-	(11,000)			(26,000)	Payment Processor
Total Cash Receipts	70,000	115,000	135,000	135,000	140,000	129,000	135,000	130,000	989,000	
Other Deposits	-	-	-	-	-	-	-	-	-	Deposits
Transfers	-	-	-	-	-	-	-	-	-	Account transfers
Tenant Improvements	-	-	-	-	-	-	-	-	-	
Total Receipts	70,000	115,000	135,000	135,000	140,000	129,000	135,000	130,000	989,000	
DISBURSEMENTS										
Navitas Credit 1	1,649	-	-	-	-	1,649	-	-	3,298	Equipment Leases
Navitas Credit 2	1,497	-	-		-	1,497		-	2,994	Equipment Leases
Pawnee Leasing	-	-	-	1,883			-	1,883	3,766	Equipment Leases
Pacific Leasing	-	1,438	-		-	1,438	-		2,876	Equipment Leases
TimePayment	-	-	573	-	-	-	573	-	1,146	Equipment Leases
Lease Payments	3,146	1,438	573	1,883	-	4,584	573	1,883	14,080	
MIP 57th Development	8,500	11,500	13,500	13,500	14,000	14,000	13,500	13,000	101,500	Rent
Advanced Plumbing	-	500	-	-		500	-	-	1,000	Plumbing
Alan Margolin	-	-	-		-		-	-	-	Construction
MJC Electric	-	-	-	-		-	-	-	-	Electric
M&L Service Maintenance	-	-	-		-	-	-	-	-	Service maintenance
Vent Away	-	-	-	-		-	-	-	-	HVAC
Kaback Inc	-	-	-	-		-	-	-	-	HVAC
Soho Contracting Corp.	-	-	-		-	-	-	-	-	Vent Repairs
Spa Tek Inc	-	-	-	-		-	-	-	-	Service maintenance
Con Edison	-	-	-	4,500	-	-	-	4,500	9,000	Utilities
Rent & Utilities	8,500	12,000	13,500	18,000	14,000	14,500	13,500	17,500	111,500	
Employee Payroll	94,500	40,000	87,500	40,000	87,500	40,000	87,500	40,000	517,000	Gross Wages
John Barrett Salary	4,000	4,000	4,000	4,000	-	4,000	4,000	4,000	28,000	Owner's salary
Key Man Life Insurance	-	-	3,702		-	-		3,702	7,404	Life Insurance
AMEX #7004	-	-	-	-		-	-	-	-	Amex CC Settlement
Empire Employee Insurance	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	64,000	Healthcare
Principal Financial Group	-	-	-	-	8,300	-	-	-	8,300	Dental & Life
VOYA 401k	6,500	-	6,500		6,500		6,500	-	26,000	401k
Shelterpoint DBL	-	-	-	-	3,000	-	-	-	3,000	Disability
TransitChek	-	-	-	1,367		-	-	1,367	2,734	Transit
Wageworks	80	-	-	-	80			-	160	Employee expense
Wage Garnishments	288		288		288	-	288	-	1,152	Wage garnishments
ADP Screening	-	-	-	-	-		-	-	-	Payroll expense
ADP	-	-	-	1,300		-		1,300	2,600	Payroll
Payroll / Benefits	113,368	52,000	109,990	54,667	113,668	52,000	106,288	58,369	660,350	
Ballon Stoll Bader & Nadler, P.C.	-	-	-	-	-	-	-	-	-	Attorney
Mazars LLP	-	-	-	-	-	-	-	-	-	Accountants
Bederson LLP	-	-	-	-		-	-	-	-	Trustee
Reserve for Professional Fees	-				-	-		50,000	50,000	Reserve for Professional Fees
Golden Door Services	-	-	-	-		-	-	-	-	Controller
Professional Fees	-	-	-	-	-	-	-	50,000	50,000	
First Insurance Funding	-	4,900	-	-	-	-	4,900	-	9,800	Professional ELPI
Hartford		8,500					8,500		17,000	Workers Comp
Otterstedt Insurance Agency	-		-	-	-	-		-	-	Keratin & Broker for ELPI
Travelers	-	-	-		-	-		-	-	ERISA Bond
Philadelphia Insurance	-	-	-	-	-	-	-	-	-	Commercial
Business Insurance	-	13,400	-	-	-	-	13,400	-	26,800	
BMW Financial Services	699	-		-	-	699	-	-	1,398	Car payment
McFarlane Properties	4,500	-		-	-	4,500		-	9,000	Hampton site
Verizon Wireless	-	-	-	-			-	-	-	Cell phones
Other	5,199	-	-	-	-	5,199	-	-	10,398	
Salon Centric	12,000	-		-	10,000	-	-	-	22,000	Salon supplies
The Wella Corporation	750	400	750	400	750	400	400	400	4,250	Salon supplies
Symbiotic	-	-	500		-	-	500		1,000	Salon supplies
Pro Beauty Wholesale	-			-		-	-	-	-	Salon supplies
Long Island Beauty Supplies	550	550	550	550	550	550	550	550	4,400	Salon supplies
Burke Supply Systems	-	500	-	500		500		500	2,000	Salon supplies
Boss Beauty Supplies	-		-		-	-	-		-	Salon supplies
KAO USA Inc	-	2,500	-	-	-	2,500	-	-	5,000	Salon supplies
Kao Enterprises, Inc	-	-	500		-	500			1,000	Salon supplies
Nomi K	-	-	-	-	-	-	-	-	-	Salon supplies

Hair U Wear	-	-	-	-	-	-	-	-	-	Salon supplies
Monica Accessories	-	-	-	-	-	-	-	-	-	Salon supplies
Miscellaneous Supplies	-	650	-	-	-	650	-	-	1,300	Salon supplies
Surratt Cosmetics	-	-	-	-	-	-	-	-	-	Salon supplies
Emiliani Metro (Paul Mitchell)	-	750	-	-	-	-	750	-	1,500	Salon supplies
Rochelle Aliota	-	-	-	-	-	-	-	-	-	Salon supplies
Art of Beauty	-	-	400	-	-	-	-	400	800	Salon supplies
Great Hair	-	2,500	-	-	2,500	-	-	2,500	7,500	Salon supplies
Backbar Products	13,300	7,850	2,700	1,450	13,800	5,100	2,200	4,350	50,750	
Indo Exotics	1,500	-	-	-	-	500	-	-	2,000	Consignment*
Nicole Golod	150	-	-	-	-	150	-	-	300	Consignment*
Shu Uemura	-	-	-	-	2,500	-	-	-	2,500	Vendor
Milbon	-	-	-	-	2,500	-	-	-	2,500	Vendor
Trinny London	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	20,000	Vendor
Carrie Perlson	300	-	-	-	-	150	-	-	450	Consignment*
Jill Saltzman	-	-	-	-	-	-	-	-	-	Consignment*
Joon Han (JH Brands)	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	32,000	Consignment*
Tay Jewellery Limited	600	-	-	-	-	350	-	-	950	Consignment*
Lagoon Jewels	-	-	-	-	-	-	-	-	-	Consignment*
Jeffrey Borroughs NY, LLC	5,000	-	-	-	-	1,200	-	-	6,200	Consignment*
Neil K Marrs	-	-	-	-	-	-	-	-	-	Consignment*
RG Jewels	-	-	-	-	-	-	-	-	-	Consignment*
Arc Brand Group LLC	-	-	-	-	-	-	-	-	-	Consignment*
Fairchild Baldwin	1,300	-	-	-	-	800	-	-	2,100	Consignment*
Retail Products	15,350	6,500	6,500	6,500	11,500	9,650	6,500	6,500	69,000	
Innovative Business Computer Solutions	-	-	-	1,595	-	-	-	1,595	3,190	Spa Salon Software
CCI Voice fka Tele-Verse Communication	93	-	-	-	93	-	-	-	186	Telephones
Quarterhorse Technology	150	-	-	-	150	-	-	-	300	IT Services
Republic Data	1,400	-	-	-	1,400	-	-	-	2,800	IT Services
DGA Security	-	-	-	-	-	-	-	-	-	Salon Security
Verizon	1,094	-	Verizon	-	1,094	-	-	-	2,188	Office phones
Verizon Fios	875	-	-	-	875	-	-	-	1,750	Primary cable
Spectrum	599	-	-	-	599	-	-	-	1,198	Backup cable
Technology	4,211	-	-	1,595	4,211	-	-	1,595	11,612	
FedEx/UPS/Customs	100	100	100	100	100	100	100	100	800	Shipping
Iron Mountain	-	-	-	-	635	-	-	-	635	File storage
Asi	-	-	-	-	-	-	-	-	-	ERISA audit
Google	-	-	-	-	730	-	-	-	730	Emails
CPS	-	-	-	-	-	-	-	-	-	LLC renewal
Sysco	650	-	650	-	650	-	650	-	2,600	Food & Coffee
Coin Register	-	-	-	-	-	-	-	-	-	Coin exchange
Hugo Villavicencio	-	-	-	-	436	-	-	-	436	Mover/Storage
Lateral objects	-	-	-	-	-	-	-	-	-	Office supplies
Charge it Pro	18	-	-	-	-	15	-	-	33	Print
Other	-	-	-	-	-	-	-	-	-	Other Office Exp
Royal Waste Services	450	-	-	-	-	450	-	-	900	Waste Services
Coffee Distributing Services	140	-	-	-	-	140	-	-	280	Water filtration
Office	1,358	100	750	100	2,551	705	750	100	6,414	
TOTAL OPERATING	161,286	91,850	133,440	82,312	159,730	87,154	142,638	138,414	996,824	
FINANCE										
Utility deposit	-	-	-	-	-	-	-	-	7,500	Utility deposit
Cash Reserve	-	-	-	-	-	-	-	-	350,000	Reserve
Covid Tax Refund	-	-	-	-	-	-	-	(400,000)	(400,000)	ERTC Credit Q1, Q2 2021
Cash Reserve (Sales Tax/CRT Tax/Consignment/HVAC)	(15,350)	-	-	-	-	(9,650)	-	-	(25,000)	Reserve
Sales Tax	3,825	5,175	6,075	6,075	6,300	-	-	-	27,450	Sales Tax
Cash Reserve (Sales Tax Payment)	-	-	-	-	-	-	-	133,000	133,000	SalesTax Payment
CRT Tax	332	449	527	527	546	546	527	507	3,959	CRT Tax
Interest Expense	-	-	-	-	-	-	-	-	-	Loan interest exp
Bank Fees	100	100	100	100	100	50	50	50	650	Account fees
LC Fees (1%)	-	-	-	-	-	-	-	-	-	LOC fees
TOTAL FINANCE	(11,094)	5,724	6,702	6,702	6,946	(9,054)	577	(266,443)	(259,942)	
TOTAL DISBURSEMENTS	153,339	99,011	140,715	90,897	166,676	82,684	143,788	(126,146)	750,962	